



Rural Development
Rural Business-
Cooperative Programs
Rural Housing Programs
Rural Utilities Programs

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VA AN 412 (1930-C)

April 1, 2003

SUBJECT: Multi-Family Housing Reserve Accounts

TO: Rural Development Managers and Specialists

PURPOSE/INTENDED OUTCOME:

To provide additional guidance to field office personnel and establish consistency in the submission of requests for withdrawal of reserve account funds by project owners or their agents.

COMPARISON WITH PREVIOUS AN:

This AN replaces and updates Virginia AN No. 353 (1930-C) which expired on October 30, 2001.

IMPLEMENTATION RESPONSIBILITIES:

RD Instruction 1930-C, Exhibit B, paragraph XIII 2 c, provides the primary principles governing the use of reserve funds. Generally, reserve account funds should not have to be used to meet any noncapital expenses; however, these expenses may be approved when warranted.

Routine maintenance and repairs should be planned, budgeted and paid from the general operating account as maintenance and repair expenses.

A capital improvement plan must be prepared for all properties and reflected in the budget and reviewed annually by the owner and its management agent. The purpose of the assessment is to determine the current and future capital replacement needs while prioritizing them to determine the resources available for payment.

The following policies are effective with respect to the submission of requests to the Rural Development Servicing Office for funds to be withdrawn from the project reserve account by the borrower or its agent:

EXPIRATION DATE:
April 30, 2004

FILING INSTRUCTION:
Preceding RD Instruction 1930-C

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1. The purpose for the requested funds must comply with RD Instruction 1930-C, Exhibit B, paragraph XIII B 2 c (5). Price reasonableness will be certified in writing for requests in the amount of \$5,000 or less per item, or will require supplemental documentation to include at least three bids, proposals or estimates for comparable items exceeding \$5,000. For requests that involve recurring items to be obtained from the same supplier over a period of time, such as carpet replacement or appliances, a master competitive bid can be provided initially and referred to thereafter.
2. Reserve withdrawal requests should be submitted to the servicing office no more than once a month for each project unless there are extenuating circumstances or emergency situations requiring immediate submittals. When the frequent need for use of reserve funds adversely impacts the financial viability of a complex or fund requests are excessively used for operating expenses, the borrower will be required to develop a servicing workout plan to correct the situation.
3. The servicing official will normally process a reserve request within 5 business days of receiving the request. If a request is authorized, the servicing office will provide the borrower or its agent with Exhibit B-9 of RD Instruction 1930-C (or equivalent form). The applicable language will be used in this notice of approval to indicate how the withdrawal will affect the future funding of the account, depending on the nature and purpose of the request.
4. Servicing officials must complete Exhibit B-10 of RD Instruction 1930-C, "Reserve Account Tally," or similar form to monitor the balance in the reserve account on at least an annual basis. Borrowers whose reserve accounts are not on schedule or who have other noncompliance issues outstanding will be encouraged to resolve them through use of a servicing workout plan.

If you have any questions, please contact the Multi-Family Housing staff in the State Office.



JOSEPH W. NEWBILL
State Director

Attachment